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**APPROVED MINUTES
COMMISSION SPECIAL MEETING SEPTEMBER 30, 2014**

The Port of Seattle Commission met in a special meeting Tuesday, September 30, 2014, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present. Commissioner Albro was absent after 3:41 p.m.

1. CALL TO ORDER

The special meeting was called to order at 12:01 p.m. by Courtney Gregoire, Commission Co-President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The special meeting was immediately recessed to an executive session estimated to last 60 minutes to discuss matters relating to potential litigation, legal risk, performance of a publicly bid contract, labor relations strategy, and sale or lease of real estate.

At 1:05 p.m., the Commission Clerk announced on behalf of the Commission Co-President that the executive session would be extended until 1:15 p.m. at the earliest to finish consideration of the matters previously announced.

Following the executive session, which lasted approximately 75 minutes, the special meeting reconvened in open public session at 1:21 p.m.

PLEDGE OF ALLEGIANCE

3. SPECIAL ORDERS OF BUSINESS

ANNOUNCEMENT

Commissioner Gregoire announced that today was Tay Yoshitani's last day as Port of Seattle Chief Executive Officer. She commented on several of Mr. Yoshitani's accomplishments as Port CEO, noting his efforts in the areas of transparency and accountability, small business contracting, social responsibility, environmental sustainability, navigation of difficult economic times, completion of the Third Runway, building of Smith Cove Cruise Terminal, opening of a new Rental Car Facility, extension of light rail to the Airport, and establishment of a nationally recognized Veterans Fellowship Program. During his tenure, the Port celebrated the Centennials of the Port and Fishermen's Terminal and the fiftieth anniversary of Shilshole Bay Marina. Mr. Yoshitani presided over the completion of acquisition of the Eastside Rail Corridor, the doubling of international long-

haul flights at Seattle-Tacoma International Airport, and successful efforts to address inequities caused by the federal Harbor Maintenance Tax. Commissioner Gregoire thanked Mr. Yoshitani for his service on behalf of the Commission. Commissioners acknowledged Mr. Yoshitani's service and accomplishments. Mr. Yoshitani will be succeeded as CEO by Ted Fick, who takes over the role on October 1. Mr. Yoshitani expressed his appreciation to the Port Commission and acknowledged the efforts of the many team members who contributed to the accomplishments achieved during his tenure.

4. UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed. Port Commissioners receive the request documents prior to the meeting and may remove items from the Consent Calendar for separate discussion and vote in accordance with Commission bylaws.]

To accommodate public testimony, agenda item 4c was removed from the Unanimous Consent Calendar for separate discussion. The minutes of the special meeting of August 5, 2014, were removed from agenda item 4a prior to convening and were not approved at this time.

4a. Approval of the minutes of the regular meeting of August 5 and the special meetings of August 6, 11, and 13, 2014. [special meeting of August 5, 2014, removed]

4b. Authorization for the Chief Executive Officer to execute two professional services indefinite delivery, indefinite quantity contracts for Project Management Services in the amount of \$2,500,000 per contract for a total of \$5,000,000. Each contract will have a duration of one year with two one-year options and include a three-year ordering period in support of upcoming capital improvement projects. There is no budget request associated with this authorization.

Request document(s) provided by Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated September 22, 2014.

As noted above, the following agenda item –

4c. Authorization for the Chief Executive Officer to execute a Fifth Amendment to the lease with Seaview Boatyard West Inc. at Shilshole Bay Marina to expand the premises by 10,000 square feet and to add two five-year options to renew. [temporarily postponed]

– was temporarily postponed.

4d. Authorization for the Chief Executive Officer to increase the project budget for the Known Crew Member Employee Bypass at Seattle-Tacoma International Airport by \$130,000 for a new total estimated project cost of \$780,000 (CIP #C800576).

Request document(s) provided by Wendy Reiter, Director, Security and Emergency Preparedness, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated September 22, 2014.

4e. Authorization for the Chief Executive Officer to enter into a two year Agreement with the Muckleshoot Indian Tribe to assist with permit concurrence and coordination of Treaty fishing access with cargo and cruise vessels serving Port of Seattle berthing facilities in the Duwamish Waterway, East Waterway, West Waterway, and Elliott Bay.

Request document(s) provided by Michael McLaughlin, Director, Cruise and Maritime Operations:

- Commission agenda [memorandum](#) dated September 10, 2014.
- September 19, 2014, [Draft](#) of Muckleshoot Indian Tribe and Port of Seattle Vessel Coordination Program Elements, 2014 and 2015 Treaty Fishing.

Motion for approval of consent items 4a, 4b, 4d, and 4e – Creighton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

5. PUBLIC TESTIMONY

Public comment was received from the following individual(s):

- Stephen Sands, owner of Sands Marine doing business at Shilshole Bay Marina. Mr. Sands spoke in opposition to the proposed lease amendment and premises expansion for Seaview Boatyard at Shilshole Bay Marina described in agenda item 4c. He claimed the area for his business was being appropriated for use by Seaview Boatyard unnecessarily, dismissively, and without his consultation. Mr. Sands asked that Seaview not be allowed to install a sub-meter for his electricity and to charge Sands Marine directly for its electricity use.
- Mark Hiraiwa, owner of Auxiliary Engine Service doing business at Shilshole Bay Marina. Mr. Hiraiwa spoke in opposition to the lease amendment described in agenda item 4c. He noted several relocations of his business since the 1980s and claimed his current relocation to accommodate the lease amendment was being executed without his consultation and that Seaview Boatyard would be responsible for moving his facility itself. He expressed doubt that the move would be executed professionally.
- Mark Bouffiou, retired vessel captain and former partner at Seaview Boatyard. Mr. Bouffiou commented on his concern that the lease amendment in agenda item 4c was being executed without consultation of all the parties affected. He claimed lease renewals for Seaview Boatyard had been executed early in the past, with the effect of shutting out competition, and for very long terms that effectively amount to giving what he called a lifetime lease.
- Dane Bahr, a boat owner and client of Seaview Boatyard. Regarding agenda item 4c, Mr. Bahr stated his concern that with installation of the new, larger travel lift proposed by Seaview will result in inflated hauling cost for recreational boaters. He claimed Seaview's relocation expense would be passed on to boaters in increased moorage costs.
- Dean Kloudt, a long-term moorage tenant at Shilshole Bay Marina and client of Seaview Boatyard. Regarding agenda item 4c, Mr. Kloudt expressed his concern over the size of

Seaview's proposed new travel lift, which is very large compared to the size of his vessel. He stated that there are sufficient facilities on the Ship Canal to handle vessels of the size targeted by a larger travel lift, and that the ramifications of Seaview's expansion and larger equipment would be detrimental and suggested an environmental impact statement would be necessary.

At the request of Commissioner Bryant, the following agenda item –

4c. Authorization for the Chief Executive Officer to execute a Fifth Amendment to the lease with Seaview Boatyard West Inc. at Shilshole Bay Marina to expand the premises by 10,000 square feet and to add two five-year options to renew. [laid on the table]

– was laid on the table without objection.

Public testimony continued as follows:

- John Bureson, owner of Highliner Public House at Fishermen's Terminal. Mr. Bureson submitted written comments requesting assistance from the Port regarding business interruption posed by the City of Seattle's proposed closure of the Nickerson Street/Emerson Street Overpass above Fifteenth Avenue West for ten weeks for repairs. A copy of Mr. Bureson's statement is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for review in Port offices.
- John Spelt and Paula Cassidy, owners of Wild Salmon Seafood Market at Fishermen's Terminal. Mr. Spelt and Ms. Cassidy submitted written comments requesting assistance from the Port regarding business interruption posed by the City of Seattle's proposed closure of the Nickerson Street/Emerson Street Overpass above Fifteenth Avenue West for ten weeks for repairs. A copy of their statement is, by reference, made a part of these minutes, is marked [Exhibit B](#), and is available for review in Port offices.
- Nicole Ferrer, Executive Director of Apprenticeship and Non-Traditional Employment for Women (ANEW). With respect to agenda item 7c, Ms. Ferrer commented in favor of continued involvement by the Port in workforce development opportunities.
- Charlie James, affiliated with the Martin Luther King County Institute. Mr. James commented on perceived racial discrimination in the administration of the Airport's Airport Concessions Disadvantaged Business Enterprise (ACDBE) program and plans for the Airport Dining and Retail program.
- Hayward Evans, Director of Shanghai International Trading and affiliated with the Community Coalition for Contracts and Jobs. Mr. Evans commented on what he said were violations of Federal Aviation Administration and U.S. Department of Transportation disadvantaged business enterprise programs in the Airport's ACDBE program. He requested new reporting standards on new disadvantaged business enterprises at the Airport and establishment of a community advisory council.
- Lourdes Barredo, employed at Dish D'Lish and affiliated with Unite Here Local 8. Ms. Barredo commented in favor of job security for workers at the Airport.
- Sandy Sun, owner of Manchu Wok. Ms. Sun commented on the lack of follow-through from the Commission's motion of September 11, 2012, regarding relief for Airport Concessions Disadvantaged Business Enterprises and other small business at the Airport. She commented on what she described as racially offensive implications in the

conversion of her restaurant space to a personal services or massage use in the redevelopment of the Airport's Dining and Retail program. .

- David Fukuhara, Managing Partner for Concourse Concessions, which operates multiple concessions spaces at the Airport. Mr. Fukuhara commented on the treatment of small and minority businesses by the Airport Dining and Retail program and complained that Port staff refuses to implement the Commission's September 11, 2012, motion regarding relief for small and disadvantaged businesses at the Airport and that rent and lease structures and worker retention policies are inequitable.
- Jerry Whitsett, owner of Sea-Tac Bar Group, operating the Africa Lounge and Mountain Room Bar on the Airport's Concourse A. Mr. Whitsett commented on apparent inequalities in the Airport's treatment of minority and small businesses in the Airport Dining and Retail program. He commented on what he described as racially offensive implications in the conversion of his bar space to a personal services or shoe-shine use in the redevelopment of the program.
- Rod O'Neal, owner of Sea-Tac Bar Group, operating the Africa Lounge and Mountain Room Bar on the Airport's Concourse A. Mr. O'Neal commented on perceived lease and rent inequalities in the Airport's Dining and Retail program.
- The Reverend Dick Gillett, of the Interfaith Economic Justice Coalition. The Rev. Gillett commented in favor of improved wages, working conditions, and job security for Airport workers.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. Authorization for the Chief Executive Officer to execute a contract for Centralized International Support Services in the Federal Inspection Services facility at the Seattle-Tacoma International Airport for up to five years for an estimated amount of \$8,700,000.

Request document(s) provided by Michael Ehl, Director, Aviation Operations:

- Commission agenda [memorandum](#) dated September 22, 2014.

Presenter(s): Nick Harrison, Senior Manager, Airport Operations, and Charles Goedkin, Manager, International Operations.

The Commission received a presentation that included the following relevant information:

- The Airport's existing Federal Inspection Services (FIS) facility is over 40 years old and is too small for current needs.
- The FIS was built in the 1970s, to accommodate two wide-bodied flights at a time. Today, the noon bank of flights can include 9 to 10 wide-bodied aircraft converging on the South Satellite (SSAT) facility at a time. This is one of the Airport's largest daily challenges.
- Since the 2009 recession, international flights into the FIS have increased by 168 percent. The FIS has since added 10 wide-bodied international flights.
- Between July 2004 and July 2014, FIS passenger values have more than doubled, with up to 1,000 people inside the FIS at a time.

- The passport control area is designed to hold a maximum of 400 people at a time. Passenger flow can reach 800 in 10 minutes during peak periods.
- To this point in 2014, the FIS has had to hold passengers inside the building or inside the aircraft over 400 times, with delays ranging between five to 67 minutes, causing inconvenience for travelers, airlines, and Airport staff.
- Most of these holds are due to increased traffic, insufficient space in the passport control area, and deviations from scheduled arrival times during peak periods.
- Once through the passport control area, passengers must wait in long lines to exit the Customs baggage claim area, taking upwards of 30 minutes to exit the facility.
- Currently, the FIS is staffed by approximately 40 to 60 permanent staff members, with a support staff of 20 to 25 during peak periods in the summer schedule.
- The international airlines have unanimously requested that the Port of Seattle establish a unified contract to provide centralized passenger and baggage services.
- The contract will fall under the Port's Quality Jobs Initiative Resolution No. 3694.
- Staff from Centralized International Support Services are needed to maintain operations in the FIS. All staff on this contract will be considered covered under Resolution No. 3694, with the concomitant higher wages, better benefits, and access to paid time off.

Motion for approval of item 6a – Albro

Second – Bowman

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

6b. Authorization for the Chief Executive Officer to execute design contracts or service directives, perform design, conduct environmental review, prepare necessary permit submittals, and prepare construction bid documents for the replacement of Shilshole Bay Marina restrooms in the amount of \$632,000 of a total estimated project cost of \$5,500,000 (CIP #C800356). *[subsequently laid on the table]*

Request document(s) provided by Tracy McKendry, Senior Manager, Recreational Boating Services, and Mark Longridge, Capital Project Manager, Seaport Project Manager:

- Commission agenda [memorandum](#) dated September 23, 2014.
- Presentation [slides](#).

Presenter(s): Ms. McKendry and Mr. Longridge.

The Commission received a presentation that included the following relevant information:

- Shilshole Bay Marina, built in 1962, is the largest marina in Seattle, with over 1,400 moorage slips and an occupancy rate of 95 percent that has remained stable over the last three years. The marina includes approximately 600 live-aboards as permanent residents.

- The marina is one of the Port of Seattle's most profitable, generating a gross income of \$5.6 million annually, with moorage as the main revenue component, supplemented by dry moorage, live-aboard fees, bike lockers, kayak storage, and miscellaneous sources.
- Five tenant services facilities, incorporating restrooms, laundry rooms, and showers, were built as part of the original marina construction. They are currently the only remaining component of the original project.
- The facilities are now 52 years old and receive continual use, with an estimated 100,000 visits to each restroom annually, and 98 percent of marina tenants and residents using the facilities on a regular basis.
- There are rising maintenance issues associated with failing pipes, drains, tilework, lighting issues, heaters, and other repairs. Maintenance projects are frequently subjected to environmental abatement due to the possibility of encountering regulated materials commonly used in building projects in the 1960s.
- The facilities do not currently include modern energy-efficiency and resource-saving features. The new facilities will incorporate modern energy efficiency standards and include many features such as recycled materials, use of alternative energy, and creative stormwater treatment.
- Currently, ADA-accessible restrooms and showers are limited. When these are out of service due to maintenance issues, there are only limited options for people who need accessible facilities.
- The facilities' current 1960s design aesthetic is industrial and unwelcoming. In order to remain competitive, the marina's new facility design will be more "home-like" and welcoming.
- During the past year, a team of Port employees has examined the marina site plan created in 2006, with the stated goal of updating the plan to integrate new shoreline regulations and layout features and uses of uplands areas.
- The team determined that two larger facilities and one smaller facility might be more beneficial than the replacement of five individual facilities.
- Positives include better preservation of existing parking spaces due to building consolidation, cost savings and construction efficiencies, better security for individual customers, and more integration for the marina community.
- The facility at the south end of the marina would be rebuilt, and the other four consolidated into two facilities to serve the north and south ends of the marina.
- Each of these new buildings as currently planned would be approximately 3,200 square feet, incorporating showers, restrooms, and laundry rooms. The team is also investigating the possibility of including other tenant services such as storage and mailrooms.
- The project consists of two phases. The first will be the construction of the new buildings. The second will be the demolition of the existing structures. Completion of these phases is estimated to take five years.
- The total project cost, estimated to be \$5.5 million, is expected to be funded by the tax levy.

In response to Commission inquiry as to the funding of the project with the tax levy, it was reported that Shilshole Bay Marina generates funds to cover other, less profitable properties in the Real Estate portfolio and maintains an outstanding capital debt of \$34 million. It was reported that

the project staff is not comfortable requiring the marina tenants and residents to carry the project cost through moorage hikes and hope to keep the marina competitive in an economy still recovering from recession. Occupancy will diminish significantly if the rates are pushed too high. Nevertheless, Shilshole is slowly raising its rates and investigating new revenue resources, such as seasonal dry-mooring in parking lots. Funding alternatives to the tax levy have not yet been investigated.

Commissioners expressed a lack of enthusiasm for the current funding plan, and the Real Estate Division was asked to re-evaluate its portfolio and funding alternatives.

Further consideration of agenda item 6b was laid on the table without objection.

6c. Authorization for the Chief Executive Officer to execute the following agreements between the Port and LDC Washington LLC, substantially as drafted: (1) a new 20-year lease with two 10-year extension options and (2) a Termination Agreement and Release.

Request document(s) provided by Michael Burke, Director, Seaport Leasing and Asset Management, and Jasmin Contreras, Property Manager, Seaport Leasing and Asset Management:

- Commission agenda [memorandum](#) dated September 25, 2014.
- Draft of [Lease Agreement](#) between Port of Seattle and LDC Washington LLC.
- [Termination Agreement](#) and Release.
- Standstill and Tolling [Agreement](#).

Presenter(s): Mr. Burke and Ms. Contreras.

The Commission received a presentation that included the following relevant information:

- The grain terminal at Terminal 86 has been in operation for 46 years under the current lease agreement, dated March 26, 1968.
- In 2000, the lease was assigned from Cargill to the Louis Dreyfus Corporation. In 2010, Louis Dreyfus assigned the lease to LDC Washington LLC, a company subsidiary.
- LDC has been an outstanding tenant, stabilizing a wildly varying grain market. The Port of Seattle has processed high grain volumes since the start of the lease in 2000.
- The current lease expires in 2015, with one remaining five-year option to extend the term of agreement through November 15, 2020.
- The proposed lease between the Port and LDC would extend for 20 years, with two 10-year renewal options.
- This extension will give the Port long-term use of the facility and long-term increased revenue and will clarify issues concerning future investments and help keep cargo moving through the Port.
- The minimum annual required rent provision to the Port will be \$1.8 million.
- Base rent and minimum rent will increase according to the Consumer Price Index, not to exceed 10 percent, every five years.

- Tonnage fees will increase by 10 percent in the first year, and stay flat for seven years, and then include a 2-percent increase every year thereafter.
- The tonnage fee will include a discount incentive.
- The new lease provides better-defined property insurance language with regard to responsibility for property insurance deductible.
- The Port will release LDC from liability related to past insurance claims.
- LDC will be responsible for all maintenance, repair, and capital improvements at the facility.
- In anticipation of the new lease, LDC is already making improvements to the facility, including upgrading the elevator.

Motion for approval of item 6c – Creighton

Second – Bryant

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

7. STAFF BRIEFINGS

7a. Briefing on the Port Liability Insurance Renewal for the Policy Year beginning on October 1, 2014.

Presentation document(s) provided by Jeff Hollingsworth, Manager, Risk Management Department:

- Commission agenda [memorandum](#) dated September 10, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Hollingsworth.

The Commission received a presentation that included the following relevant information:

- The Port of Seattle's current liability insurance program expires on September 30, 2014. The Port is in the process of finalizing the purchase of coverage for the policy year beginning October 1, 2014.
- Excluding property insurance, the primary insurance policies to be renewed include Airport Operations, General Liability, Non-Aviation, Police Professional, Public Official's, Fiduciary, Employment Practices, Foreign, Vessels, Bonds, and Employee Dishonesty (Crime).
- Excess Workers Compensation liability will not be purchased, due to the Port currently being self-insured for that liability.
- The aggregate cost for the expiring 2013-2014 premium stands at \$801,000.
- The liability insurance premium has risen in comparison with the Port's revenue stream.
- Retentions and limits are projected to remain stable in 2014-2015. The Port has negotiated a few minor changes with some carriers.
- The non-aviation coverage deductible will decrease from \$1 million to \$750,000.

- The Terrorism Risk and Insurance Act (TRIA) is currently under Congressional review prior to its December 31, 2014, expiration date. The Port is currently self-insured for workers compensation and will not be immediately impacted if TRIA is not renewed.
- The Port purchases terrorism coverage for exposures that are non-aviation related, so the failure of TRIA to pass in Congress could impact Port renewals in 2016.
- Airport limits will remain at \$500 million in the coming year. The Port will not purchase aviation terrorism coverage.
- Cyber Liability coverage has not yet been purchased and will not be renewed as part of the new year package. Risk Management is currently working with ICT to examine options for future purchase.
- Cost options range between \$60,000 and \$70,000.
- Cyber threats are increasingly common worldwide. The Port has the option of including King County and Washington State in its Cyber Liability discussion, and the option of participating in the broader, state-wide cyber terrorism network.
- Excluding Cyber Liability, the 2014-2015 insurance renewal estimate is \$805,000 to \$815,000, slightly higher than last year's budget estimate. Including Cyber Liability, the estimate rises to \$870,000 to \$885,000.

In response to Commission inquiry, it was reported that the Risk Management Department will examine the draft of the proposed Mutual Aid Agreement with other port authorities to determine the agreement's affect on Port liability coverage.

In response to Commission inquiry regarding Cyber Liability's responsibility to address online financial losses in addition to personal information risks, the Port's Crime policy would currently cover some of those exposures, but traditional policies are excluding coverage if the loss occurs on a network and it would be more efficient to examine the Crime and Cyber Liability policies in tandem.

7b. 2014 Second Quarter Capital Improvement Projects Report.

Presentation document(s) provided by Ralph Graves, Managing Director, Capital Development:

- Commission agenda [memorandum](#) dated September 23, 2014.
- Presentation [slides](#).
- Capital Improvement Projects: Second Quarter [Report](#) 2014.

Presenter(s): Mr. Graves.

The Commission received a presentation that included the following relevant information:

- Including Capital Improvement Projects and Corporate Projects (mostly ICT in nature), there is a total of 99 projects in the report, with 55 within or ahead of target schedule and budget, and four substantially completed.
- There are 39 projects experiencing variances in schedule or budget, with four new reportable variances for the second quarter.
- There are five projects experiencing both target schedule and budget variances, with no new reportable variances for the second quarter.

- The Commission expressed some concern over the high incidence of budget and schedule variances in the reporting period.
- The most difficult element for Port of Seattle projects is staying on schedule during the design phase due to the tradeoff between adjusting to changing circumstances during design and staying on schedule.
- CDD is always trying to improve project performance and holding contractors to schedule and will work to identify project targets and assist the Port Commission in understanding the reasons behind the statistics to aid benchmarking.
- Aviation's Grease Interceptor Augmentation project experienced design revisions just before going to bid, causing a four-month delay in project completion, now scheduled for March 2015.
- The North Satellite (NSAT) STS Ceiling Leak Repair project was commenced as part of the Seattle-Tacoma International Airport's annual Airfield Pavement Replacement project, but the work was so specialized that the project received only one bid. Despite restructuring, the project still received only one bid.
- The Long-Term Cell Phone Lot is currently receiving a high level of use. Work is continuing on the cell lot's permanent access control.
- Though substantially completed, work continues on the replacement of passenger loading bridges B4 and S7.
- The Terminal 91 Lighting project's new fixture installation started later than planned.
- The Shilshole Bay Marina Seawall's in-water work was delayed for one year due to the project schedule missing the extreme summer tides.
- The Pier 69 Carpet Replacement is currently scheduled for October 2014 due to the chosen material and pattern not being readily available.
- The Argo Roadway project is the final element of a 20-year series of projects to improve back access to Argo Yard from Harbor Island. Anticipated completion of elements I and II of the Argo Roadway project will take place approximately one quarter later than planned due to expected permitting and coordination delays. The contract has been awarded and the contractor is mobilizing for work.
- One Corporate project, the ID Badge System Replacement, reports a schedule variance. Resource availability and system complexity have delayed completion. The new system implementation is planned for October 2014.
- To this date, the Port contracts 27.5 percent of its project aggregate to small businesses. It is below its target in some areas and above it in others.

In response to Commission concerns regarding performance measures, given that the basic statistics regarding scheduling and budgeting have not changed for five years, CDD will work to identify project targets and assist the Commission in understanding the reasons behind the statistics to aid benchmarking.

The Commission expressed concerns regarding the reporting of small business contracting performance as an aggregate, without distinction between small business participation in large or small projects, and without acknowledgement of the differences between project budgets, targets, and manpower. They requested future reports account for these differences.

The Commission inquired as to Alaska Air Group's concurrence in NorthSTAR scope and budget, and it was noted that procurement of a general contractor for the North Satellite expansion project is underway and an update on the NorthSTAR program is scheduled in two weeks.

7c. Proposed Workforce Development Strategy Expansion.

Presentation document(s) provided by Luis Navarro, Director, Office of Social Responsibility:

- Commission agenda [memorandum](#) dated September 12, 2014.
- Presentation [slides](#).
- [Resolution No. 3694](#).
- [Motion](#) of the Port of Seattle Commission Increasing Workforce Development and Career Opportunities Activities as Amended.

Presenter(s): Mr. Navarro and Jim Torrens, Program Manager, Insight Center for Community Economic Development.

The Commission received a presentation that included the following relevant information:

- The proposed workforce development strategy expansion is part of the Port's Century Agenda, which advocates small business growth and workforce development in the Port and related entities through the Quality Jobs Initiative, Port Commission motion, and Resolution No. 3694 adopted in July 2014.
- The Office of Social Responsibility (OSR) interprets workforce development as an "essential component of community economic development, including and going beyond employment and training services...public and private sector policies and programs by which industries and employers are provided access to qualified workers, job seekers are prepared for employment and workers are provided the skills and resources needed for their advancement."
- One third, or \$138 billion of Washington State's \$405 billion gross domestic product depends in some way on the marine terminal activities of the Ports of Seattle and Tacoma. By contrast, dollar value of Port-related jobs and indirect spending is \$4 billion.
- The Port has a wider role as a convener, initiating and organizing meetings and actions among economic development actors, along with its role as a direct investor in some sectors, while remaining within its legislative parameters. It can use these roles, and the collaboration between entities, to achieve its workforce development goals.
- The Port's investments in workforce development provide a platform for co-investment by others in the Port and Port-related industries.
- The Port's current workforce development strategy includes the Port Jobs Contract, which supports jobs at the Seattle-Tacoma International Airport, and the Airport University, along with the Apprenticeship Opportunity Project; engineer endorsement training in the fishing industry; the Youth Maritime Career Support at the Center for Wooden Boats; and research projects in the construction industry in collaboration with the City of Seattle.
- Current strategy also includes increased apprenticeship utilization, especially for women and minorities; high school and college internships at the Port, veterans fellowships and partnering with other workforce programs.

- The Insight Center for Community Economic Development has conducted research on Seattle's local and regional workforce development landscape and reviewed the Port's mission as an engine of economic development.
- Insight's recommendations advocate following the Commission's guidance, the Sector Approach to career pathways, the use of the Port's leverage as an anchor institution, providing contracts for job access and career services in Port-related industries, the incorporation of partnership support in request for proposal structures, and entering partnerships with other stakeholders in Port-related industries
- Insight recommends the use of three types of contract services. The first contract will provide a labor market analysis, career pathways mapping, and an employment equity analysis for the Port and Port-related industries. Outputs include reports on labor market demand, career pathways, and employment disparities in Port-related industries. The contract will identify existing services and gaps in those services.
- The estimated annual cost is between \$75,000 and \$125,000, with no increase recommended after Year 3.
- The second contract will be for Job Access and Career Advancement Services, to provide sector-specific job access and career advancement in Port-related industries, at a total estimated annual cost between \$2,099,000 and \$2,334,000.
- Projected outputs and outcomes include 1,495 job placements per year; and 7,900 people provided services including job search preparation and assistance and job-readiness training, career navigation services and career advancement training, pre-apprenticeship training and apprenticeship completion services.
- The anticipated outputs and outcomes for the Airport sector include 7,400 participants, 1,200 job placements, and 170 participants in career advancement training, at an annual estimated cost between \$1.2 million and \$1.3 million.
- It is recommended that the current Airport job access services continue. Career advancement services should be expanded to include career navigation scholarships and additional training opportunities.
- Construction sector outputs and outcomes include 250 participants in pre-apprenticeship services, 135 apprenticeship placement, 135 apprentices receiving apprenticeship completion services, and 150 participants in financial education classes, at an estimated annual cost between \$360,000 and \$420,000.
- Apprenticeship completion services are highlighted due to the sector's high apprentice drop-out rate, especially among women and minorities.
- Maritime sector outputs and outcomes include 250 job-seekers served, 160 job placements, 50 participants in bridge-level training per year, and three contextualized bridge program classes per year, at an estimated cost between \$350,000 and \$375,000 for Years 1-3, and \$375,000 to \$400,000 for Years 4-10.
- It is recommended that a new set of services be created around the Seaport to aid maritime job seekers to both get entry-level jobs and access training for career advancement.
- The third contract will evaluate the effectiveness and impact of the Port workforce development strategy, outputs to include an annual report on direct outputs and outcomes of Port contracts for job access and career advancement services; an evaluation of resulting changes in workforce development, employer practices and

related policy; and a dashboard of outcomes from job access and career advancement services.

- Potential workforce development actions by the Port include informing and shaping the Labor Market and Related Analysis, additional internships for high school students and beyond, the promotion of career pathways and employment equity, the alignment of training with needs of businesses and workers, the maximization of job quality with the Port and other regional stakeholders, and the development of a dedicated funding stream for workforce development efforts, in the amount of \$2 million per year, indexed to inflation.
- The current cost of workforce development efforts for the Budget Year 2014 is \$1,066,540, with a 10 year forecast of \$10,665,400.
- With implementation of Insight's recommendations, the Year 1 cost is projected to be \$2,459,000, with a 10 year forecast of \$24,765,000.
- Important dates in the Workforce Development Strategy Expansion timeline include the formal request for Commission authorization on October 28, 2014, the extension of the Port Jobs Contract in the First Quarter 2015, and the start of the new contracts in the Second Quarter of 2015.

The Commission encouraged further collaboration with other King County agencies, such as schools and county and state government, to further workforce development and career pathways for workers. Examination of the state's broader economy may identify opportunities for growth in which the Port could play a role. It was noted that the Port has a responsibility to ensure that it is working effectively with its partners to exploit any opportunity to provide quality jobs to surrounding communities.

In response to Commission inquiry regarding evaluation of the effectiveness of Port workforce development strategy, a consultant is currently analyzing whether evaluation is best performed in-house by staff, by a contracted third party, or through a combination of the two.

Commissioner Albro was absent after 3:41 p.m.

7d. 2015 Corporate and CDD Budgets Briefing.

Presentation document(s) provided by Dan Thomas, Chief Financial & Administrative Officer; Ralph Graves, Managing Director, Capital Development Division; and Michael Tong, Corporate Budget Manager :

- Commission agenda [memorandum](#) dated September 11, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Thomas, Mr. Graves, and Mr. Tong.

Corporate and Capital Development Division capital budgets were not included in this presentation due to unforeseen circumstances and were made available to the Commission under separate cover. The Commission received a presentation that included the following relevant information:

- There has been an overall increase of 0.8 percent in the 2015 budget as compared to 2014.

- The net baseline budget increase for 2015 is 2.3 percent.
- There is a 2015 net reduction of 1.3 full-time-equivalent positions.
- The 2015 Corporate Preliminary Budget is \$81,267,000 compared to the 2014 budget of \$80,637,000, representing a 2.3 percent increase.
- 2015 new budget additions amount to \$500,924,000.
- Funds to implement Resolution No. 3694, and the Internal Audit Department's additional funding for contracting subject matter experts are both covered by the \$100,000 increase in Port of Seattle-wide Contingency.
- Two new FTEs, a cyber-security engineer and a cyber-network engineer, are proposed in ICT's budget, to accommodate the Seattle-Tacoma International Airport's growth.
- The total Corporate budget payroll expense for the 2014 budget is \$59,992,000, 1.9 percent below the 2015 payroll expenses of \$61,112,000.
- Total operating revenue for 2014 stands at \$155 million, with a forecast of \$269 million. The 2015 budget for total operating revenue stands at \$340 million, a 119.1 percent increase.
- Most Corporate departments are experiencing budget reductions compared to 2014, due to three factors: 2014 one-time expense items, the elimination of one FTE each in the Executive Office and the Legal Department, and budget transfers.
- The Commission Office budget may experience refinements that will be presented at the next briefing.
- The ICT 2015 Corporate budget is \$21,435,000. The majority of this is due to labor costs, which stand at \$13.7 million in 2015, with \$4 million being spent on software maintenance, \$1 million on hardware maintenance, and miscellaneous other payments and network costs.
- The 2014 budget includes 453.4 Corporate FTEs, a net addition of 1.5 from the baseline of 451.9. With the proposed elimination of three FTEs over two years, the proposed FTEs for 2015 stand at 450.6.
- Potential Corporate budget additions, not currently included in the preliminary budget beyond baseline amounts, include funding to the Office of Social Responsibility and Public Affairs for the expansion of the Workforce Development and Tourism programs, and an additional Internal Audit FTE for a construction auditor, subject to an Audit Committee review and recommendation.
- The proposed expansion of the Tourism program includes \$50,000 in grant funding to community applicants to promote statewide tourism; \$500,000 in outreach to existing and new international markets, and to develop cruise workshops for local business dealing with the cruise industry; and \$75,000 as a contribution to the Washington Tourism Alliance.
- The proposed expansion of the workforce development program includes \$1.7 million to fund the first year of a multi-year contract for expanded services in the Aviation, Maritime, and Construction sectors, and \$34,000 to fund expanded internships and other internal Port programs.
- The proposed program expansions represent significant increases to baseline budgets.
- Priority CDD goals include timely, within-budget project deliveries; operating division support beyond projects; providing contracting services; emergency preparedness;

- developing the talent, capabilities, motivation, and well-being of CDD employees, and ensuring that Port staff and contractor personnel work safely.
- The CDD total salaries and benefits 2014 budget stands at \$35,156,665, with a year-end forecast of an additional \$33,785,162. The 2015 budget includes \$37,868,837 in salaries and benefits.
- The total CDD budget before capital charges stands at \$46,134,430 in 2014, with a year-end forecast of \$43,380,765 and a 2015 budget of \$50,612,167.
- The CDD 2014 total operating budget stands at \$17,000,114, with a year-end forecast of \$15,391,009 and a 2015 forecast of \$18,194,210.
- The Total 2015 FTEs in CDD stand at 10.0.
- The Aviation Division impact on 2015 expense projects is \$5,268,311. The Seaport impact is \$378,390 and Real Estate is \$1,066,048, with a CDD total of \$6,712,749.

In response to Commission inquiry regarding the reason the Airport is not carrying more of the cost of technology-related spending, given that the Airport is the cause of a large portion of such spending, ICT manages these costs throughout the entire Port, including the Airport.

In response to Commission inquiry, the preliminary analysis indicates that the Port can fund program expansions and cover upcoming transportation obligations without raising the tax levy. A briefing will be held within a few weeks to discuss the levy and the plan of finance and to detail significant numbers.

In response to Commission inquiry regarding future environmental liabilities, especially the Lower Duwamish Cleanup effort, staff are working closely with the Environmental Team to monitor both immediate and potential liabilities and incorporate them into the funding analysis.

7e. Airport Dining and Retail Leasing Criteria.

Presentation document(s) provided by James R. Schone, Director, Aviation Business Development, and Deanna Zachrisson, Business Leader, Airport Dining and Retail :

- Commission agenda [memorandum](#) dated September 25, 2014.
- Presentation [slides](#).

Presenter(s): Ms. Zachrisson.

The Commission received a presentation that included the following relevant information:

- The Seattle-Tacoma International Airport Dining and Retail master planning process began in 2012, with the commencement of sales, employment and investment forecasts. A briefing on the investment forecast will be presented in October 2014.
- Airport Dining and Retail is an essential component in Airport redevelopment, in maintaining the Airport's competitive edge, maintaining its revenue stream, and creating quality jobs.
- The Airport is currently ranked 22nd in terms of sales per enplanement (SPE) among airports nation-wide. Airport redevelopment and revitalization are essential for improving the Airport's status and increasing its SPE.

- The Airport Dining and Retail program currently generates nearly \$200 million in annual sales and supports more than 1,600 Airport jobs. It contributes \$40 million in Port of Seattle revenue and is the second largest source of non-aeronautical revenue.
- Tenants do not pay rent based on square footage but on what they're able to produce with their units.
- Leases for 90 percent of the Airport's 92 restaurant, retail, and personal services locations will expire between 2015 and 2017. Sixty of those units are prime operators such as Host or Hudson.
- The expirations will advance in three staggered phases: Phase I (2014-2016) includes early lease returns; Phase II (2017-2018) includes extended leases and new leases; Phase III (2019-2024) includes new leases and newly built units associated with the North Satellite (NSAT) and Central Terminal expansions.
- The following drivers will guide phasing plan decisions: the necessity of meeting passenger needs in every area of the Airport; the need to maintain service during infrastructure and tenant unit construction, and the need to execute the future redevelopment program with an optimal mix of offerings in an effective use of space.
- Some underperforming units will be returned early by as much as two years for redevelopment to better serve current passenger needs and equipment and infrastructure repair and upgrading.
- On-time expirations will take place when the new leasing plan coincides with the lease's actual expiration date.
- Extended operations under current leases will apply to units that must stay in operation past their lease expiration dates, either under month-to-month lease holdover provisions or through lease extensions, due to the need to maintain customer service among multiple expirations and Airport redevelopment. These extensions will pend completion of construction and completed competitive processes.
- Prime operators will be included in a new lease in consideration of early returned units and additional investment, for less than a full-term lease.
- Phasing of expirations is very complex due to the interconnectedness of all the units and other Airport projects, and the planned new units being constructed as part of the NorthSTAR program.
- Anticipated Commission actions include authorization of design for Phase I Infrastructure on October 28, the review of the leasing plan and new request for proposals in December 2014, and authorizations of construction, personal services, food & beverages and specialty retail in 2015.
- Phasing criteria presented are not necessarily considered objective enough for Commission support and further clarification and discussion was requested.

In response to Commission inquiry, underperforming units are identified via comparison between similar units' sales per square foot.

In response to Commission inquiry regarding the Port's plans to balance revenue with other program goals, staff will need to examine the unit's concept as well as passenger opinion. A unit's revenue stream is a good indicator of its popularity among passengers; underperforming units are those that do not generate revenue.

8. ADDITIONAL NEW BUSINESS

None.

9. ADJOURNMENT

There being no further business, the special meeting was adjourned at 4:54 p.m.

Tom Albro
Secretary

Minutes approved: April 14, 2015.